

# Ninety fourth meeting of the Water Industry Commission for Scotland

On 7 April 2016

**Present:** Professor Gordon Hughes (Chairman)  
Alan Sutherland (Chief Executive)  
Ross Finnie  
Libby Gawith

**In attendance:** Ian Tait – Director of Investment  
Shona Coan – Financial Controller (items 3.2, 3.3, 3.4)  
Charles Yates, Head of Competition (item 6 only)  
Analytical team – (item 3.6 only)  
Gordon Downie, Shepherd and Wedderburn (item 3.6 only)  
Luis Correia da Silva, Oxera (item 3.6 only)  
Donna Very, Office Manager

## Chairman's opening remarks

The Chairman welcomed everyone to the 94th meeting of the Commission.

### 1. Apologies for absence

Apologies were received from Katherine Russell, Director of Corporate Affairs and Strategy.

### 2. Minute of the last meeting and regular updates

#### 2.1 Declaration of conflicts of interest in relation to the Agenda

There were no declared conflicts of interest.

#### 2.2 Minute of last meeting (01/16)

The Commission agreed that the minute was an accurate record of the last meeting.

#### 2.3 Summary of action points (AP01/16)

The Commission noted the summary of action points. The action regarding the Competition report has been rescheduled and a draft of the report will come to the September Commission meeting.

#### 2.4 Chief Executive's report (CP12/16)

The CEO updated members on the recent work of the office.

The Commission discussed Scottish Water's draft delivery plan and noted the recent correspondence from the office. The Commission expressed concern around the 'back

end loading' of the output delivery profiles: particularly in the last two years of the period during which there were also a number of other large projects expected to be delivered. The Commission also remained unconvinced that the financial projections were accurate and noted that these had changed significantly from Scottish Water's previous plan. The Commission would welcome a meeting with Scottish Water to discuss the revised delivery plan further.

### **3. Regular business**

#### **3.1 CMA update (CP13/16)**

The Commission noted this update.

#### **3.2 Budget update (CP14/16)**

The Commission agreed the proposed expenditure for the financial year ending 31 March 2017. The Commission noted the increased budget proposed for regulation, licensing and consultancy. This work relates to the work on the market audit and expenditure on the rural connections pilot. The Commission noted the proposed capital expenditure.

#### **3.3 Audit Committee update (CP15/16)**

The Chair of the Audit Committee provided the Commission with an update on the recent work of the Audit Committee. The Commission noted the Annual Report of the Audit Committee.

The Commission agreed to move the scheduled risk workshop from April to the August Commission meeting. The aim of the workshop will be to review risk appetite, policies and procedures. It was agreed a ½ day session around a Commission meeting would be useful.

The Chair of the Audit Committee confirmed that after a competitive tender exercise to appoint new internal auditors, BDO had been successful.

#### **3.4 Procurement update (CP16/16)**

The Commission noted this update.

#### **3.5 Staffing update (CP17/18)**

The Commission noted this update.

#### **3.6 Update on framework contract Oxera/Shepherd Wedderburn**

The Chairman welcomed Gordon Downie from Shepherd and Wedderburn and Luis Correia da Silva from Oxera to the meeting.

Luis and Gordon provided a very helpful update on key areas of advice and support provided to the office since the framework contract was implemented in May 2015. The Commission discussed the format and function of the recent advisory panels and ways of improving and developing future meetings.

#### **4. Strategic Review**

##### **4.1 Customer Forum (CP18/16)**

The Commission discussed the role the Customer Forum had played in the Strategic Review of Charges 2015-2021 and the role such a body could play in the future consumer landscape following the devolution of consumer powers to Scotland (the Scotland Act 2016). The Commission agreed that customer engagement through the Customer Forum with Scottish Water had been a successful approach in SRC15, however there would need to be greater clarity on the role of a successor body for SRC21, along with clearly defined points in the review process when the Commission would engage directly with a Customer Forum and with Scottish Water.

The Commission agreed that it would be helpful if the respective roles with regard to consumer representation of both the Commission and any new consumer body were clearly set out in the future legislation required to establish Consumer Scotland.

##### **4.2 Proposed Council Tax changes (CP19/16)**

The Commission noted the potential impact of the proposed changes to the Council Tax in April 2017 and will await further information on Scottish Government proposals.

#### **5. Investment**

##### **5.1 Investment update (CP20/16)**

The Commission noted the progress of Scottish Water's output delivery and the progress being made with re-baselining of the output delivery profiles.

#### **6. Competition**

##### **6.1 Retail update (Scotland) (CP21/16)**

The Commission noted the update on non-household retail market activity.

##### **6.2 Competition report (CP22/16)**

The Commission had previously requested that a draft of the Competition Report be submitted for approval to the April Commission meeting with a view to publish in late summer. This report will now be published in September/October 2016 to ensure that the most up-to-date data is captured.

### **6.3 South Staffordshire Water application**

**(CP23/16)**

The Commission were minded to grant the application, subject to any representations, from South Staffordshire Water Business Limited for water and sewerage services licences and to delegate authority to the Chief Executive to make any further and final decisions concerning the grant of such licences and the issuing of any notices, related directions, waivers or consents.

#### **Closing remarks**

The Chair closed the meeting of the 94<sup>th</sup> meeting. The next meeting would be rescheduled to coincide with a meeting between the CMA board and the Commission on 25 May.